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DATE: July 24, 2014
TO: Airport Committee
FROM: Spencer Nebel, City Manager
SUBJECT: Revised Report on Newport Municipal Airport

I will be compiling a report for the City Council's consideration on an operational plan for the airport. I would like to obtain direct input from the Airport Committee prior to completing this report so I am submitting a draft of the report and issues for the committee's review. I would like for the committee to focus on how the airport can best be managed in the future at the August meeting which has been rescheduled for Thursday, August 21, 2014 at 2 P.M. It is my intent to present this report to the Council in September. Please note that this is the draft. I will provide future information prior to the next meeting with the Airport Committee.

HISTORY OF THE NEWPORT MUNICIPAL AIRPORT

On March 27, 1943 the Civil Aeronautics Administration ordered a contract for the construction of an airport in Newport, Oregon that would include two runways, each 5,080 feet long and 150, feet wide and several taxiways each 50 feet in width. In order to build the airport, the contractor had to move 300 million cubic yards of sand and clay with 1.7 million cubic yards brought in to fill. This cut and fill project addressed a canyon that was 140 feet deep by regrading the high points of the land into the canyon which ultimately led to 94 feet of fill being placed in a canyon over a length of about 1100 feet. In order to properly drain the site, 9 miles of concrete drain tiles were laid and small canyons and gullies were filled to create the necessary runways for the airport. The original contract for clearing and grading was \$1,064,472, with the paving contract for the project being \$423,466. The project was plagued by rainy weather, saturated soils, and compaction issues. The aggregate for the project came from the quarry near Agate Beach. The May 1944 edition of the Pacific Builder and Engineer stated that this was ... "one of the hardest builds in airport history" (article from the Don Davis collection).

The Civil Aeronautics Administration constructed the airport on property provided in a land grant from the City of Newport. The airport was turned over to the city ownership in 1947. Since that time the airport has been under the city's jurisdiction.

The next major renovation to the airfield occurred as part of the Airport Master Plan that was adopted in September 1979 and completed by George Baldwin and Association.

Phase I of the plan called for land acquisition, clearing, road relocation, a runway lighting system, and lighted wind sock. This work was estimated to be \$333,334. Phase II of the project started out at \$1,234,444 and increased to \$1,466,555 and included reducing the NE/SW runway (2-20) from 5,080 feet long and 150 feet wide to 3,000 feet long and 75 feet wide. The north/south runway (16-34) was lengthened and overlaid. Phase III of the project included construction of taxiways utilizing a portion of the property that was formally occupied by the NE/SW runway which was shortened as part of Phase Two.

The city entered into a fixed based operator agreement with Berteau/Aviation, Inc. The city provided airport maintenance activities through the Public Works Department with Mike Eastman.

The city entered into an agreement with The Central Oregon Coast Air Services for FBO services at the airport.

The City of Newport acquired the assets of the fixed based operator on April 16, 2006, for \$250,000.

RECENT OPERATIONAL HISTORY OF THE AIRPORT

Since the purchase of the fixed base operations by the City of Newport, the city has run the FBO and maintenance activities at the airport. The first manager of the airport was Dennis Reno. Dennis was responsible for both fixed base operations as well as general maintenance activities of the facilities as a department of the city. As part of the fixed base operator system, fuel sales, hangar space rental, car rental, and various services were provided. Following Dennis Reno, Gene Cossey was hired by as Airport Manager. He was responsible for fixed base operations as well as general airport management. Following Gene Cossey's resignation as Airport Manager, City Manager Jim Voetberg elected to divide the Airport Manager position into two separate positions with Terry Durham managing the fixed base operations at the airport and Lance Vanderbeck managing the airport maintenance activities. Both reported directly to the City Manager, Jim Voetberg. Furthermore there was a full-time lineman position that worked for both the FBO Manager and Operations Manager at the airport. In addition, temporary employment services were utilized from Barrett Temporary Services to man airport operations. During this past year, Melissa Román from the Engineering Department has provided support for budgeting and project services, particularly relating to the major north/south runway reconstruction project as well as associated projects funded by the FAA.

During the past six months the airport has undergone additional personnel changes with lineman Charles Norman being placed on leave and then terminated in March, and Terry Durham resigning his position in June to relocate back to northern California. In addition to Lance, a temporary employee has been hired for the lineman's position and Lance Vanderbeck has obtained the Fuel Supervisor's Certification and has assumed FBO responsibilities at the airport during this interim period.

In addition, to recent personnel issues at the airport, there have been several enforcement actions by the FAA with pilots with Lester LaCasse having his credentials revoked by the Federal Aviation Administration for transporting passengers, without the approachment

authorized, and intentional disabling of the air traffic control transponder to avoid detection. Furthermore, a six-member jury found Dean Battersby guilty of 19 misdemeanor counts of reckless endangerment, menacing, and prohibited operation of an aircraft. During the court testimony, it was indicated that tales of low flying exploits were common during the weekly airport BBQ for local pilots. Lincoln County Circuit Judge Paulette Sanders indicated that she was “disturbed” that pilots would condone this activity.

In discussing enforcement situations with FAA investigators, the FAA has indicated that they have had an unusually high number of complaints generated about aircraft operations in the Newport area with past complaints primarily generated by residents, with additional complaints coming from law enforcement, other pilots, and airport staff.

Relationships between the Mayor, City Council, City Manager, Airport Manager, Airport Staff and local pilots have been turbulent leading up to and following the termination of Airport Manager Dennis Reno. Furthermore, throughout previous City Manager tenure, there was a heavy focus on personal issues which distracted from focusing on what is best for the airport and the citizens of Newport who financially support this operation. There needs to be a willingness of all stakeholders at the airport to focus on the future and not get buried in past issues. This is true for staff, pilots, and policy makers regarding the operation of this important community asset.

This report is not intended to revisit the various “rights and wrongs” of previous decisions or occurrences at the airport, the complaints made by various parties at the airport about each other, or reflect past issues that have colored the overall operation of the airport. This report is intended to lay the ground work for the development of an operation plan for the future of the airport. While it is important to understand some of the past history and controversies regarding the airport operations, it is more important to develop a constructive plan for the future to assure that the airport is used to its full potential to provide air services to the central coast region.

CURRENT AIRPORT OPERATIONS

The Newport Municipal Airport current consists of two runways with 16-34 (N/S) being 5398 feet long and 150 feet wide and 2-20 (crosswind) being 300 feet long X 75 feet wide. Please note that 16-34 is currently being reconstructed with the final dimensions being 5398 feet long and 100 feet wide. The airport currently has a 2,400 square foot office space that is currently rented to FedEx. The FBO has two offices on the main floor, a ticket counter, pilots lounge with refrigerator and counter space. There are three offices on the second floor, larger conference area, and bar with a small kitchen. In addition to the space rented to FedEx, one office space is rented in the FBO building and a lease has been provided for doublewide trailer to FedEx. Other services currently provided:

- Fuel, Jet-A, Jet-A with additive, AV-Gas (100LL) truck and self-serve
- Car Rentals
- Courtesies cars 3 plus 1 van
- Oil for turbine and piston aircraft
- Pilot sectionals
- Current newspaper
- Catering- anything the customer orders we have to get- from food, soft drinks, liquor, even sun screen.

- ONP branded shirts, sweaters, rain jackets, and hats for sale
- Small selection of concessions- coffee, candy bars, chips, and soda machine
- Free WIFI
- After-hours shelter
- Fax
- Computer
- Pilot lounge area
- Tie-downs
- Overnight hangar space if available
- Tug/ battery cart for aircraft towing and starting
- Taxi arrangements
- Hotel reservations
- Full ILS runway
- AWOS
- Lighted wind sock
- Rotating beacon
- ARFF
- Wildlife hazing
- Field Lighting/sign maintenance
- Field security/ public security
- Field maintenance

The airport receives National Plan of Integrated Airport Systems (NPIAS) funding of \$150,000 per year. Please note that this money is held in an account by the ADO and is spent directly for improvements by the FAA. The city does not receive or spend any of these funds. The funding is held for up to five years and can be consolidated on qualified improvements to the airport as determined by the FAA and local management of the airport.

The airport is certified under FAA regulations (FAAR) as a Part 139 airport. Part 139 prescribes to the rules governing the certification and operation of carriers that utilize aircraft having a seating capacity of more than 30 passengers. It includes provisions describing contents, preparation, and maintenance of airport the certification manual. The airport undergoes regular inspections and is provided a list of areas to address as part of that inspection for continued certification under Part 139.

The Newport Municipal Airport is currently undergoing reconstruction of its north/south runway (16-34). This construction is anticipated to be completed in the fall of 2014 at an estimated cost of \$6.7 million. In addition to the runway, other work includes replacement of portions of the existing storm sewers, constructing new storm sewer, new emergency power generator, and relocation of the existing generator, providing three new electrical circuits for runway lights and signs, new guidance signs throughout the airport, new power regulators, electric improvements, pavement marking, and miscellaneous improvements. This project will also include an expansion of the airport parking apron. A second project that is being completed will include an airport Geographical Information Survey which will include all the new improvements, replacement of all FAA-owned navigation aids that will be installed as part of the runway rehabilitation, a wildlife hazard assessment, and

replacement of the ARFF truck for fire protection at the airport. The FAA is paying 90% of the project costs and a state grant from ConnectOregon covering approximately half of the city's local match for these projects.

In the 2013-14 fiscal year, airport employees logged 6,289 operations at the airport. An operation includes plane landings and take-offs. These counts do not include any landings and take-offs when the airport is not staffed or when the landing and/or take-off is not observed. Please note, the FAA estimates annual aircraft operations based on a combination of observed flights (which only occurs when the airport is staffed and operation is observed). The airport currently has two cargo carriers based at this facility which include FedEx (Empire) and Ameriflight (UPS). In addition, the US Coast Guard has a satellite air station operation at the airport. The current traffic at the airport is made up of corporate, private, charter, general aviation, and military traffic. Fueling services during the last three fiscal years have been 58,211 gallons of fuel in fiscal year 11-12, 49,476 gallons in fiscal year 12-13, and 98,226 in fiscal year 13-14. Please note that a significant portion of the increase in the current year was due to the failure of the US Coast Guard fueling station at their airport facility. Once this system is back on line it is anticipated that fuel sales will decline. Furthermore, with the airport construction underway, the sale of jet fuel is anticipated to drop in the current fiscal year due to the limitation on larger aircraft using the airfield.

The FBO is staffed seven days a week from 8:00 A.M. to 5:00 P.M., minus the three holidays that staffing is provided. The airfield is normally open 24 hours a day seven days a week 365 days a year.

Please note that during the review of the budget for the fiscal year beginning July 1, 2014, the Budget Committee established a goal of reducing the subsidy from the General Fund and Room Fax Fund for airport operations over the next three to five year period. This will need to be considered in the overall long-term planning for this facility.

DISCUSSION WITH AIRPORT STAKEHOLDERS

During the past six months, I have had the opportunity to speak with a number of stakeholders at the airport regarding concerns, issues, and comments regarding the overall airport operation. I have broken these comments down into several categories to facilitate review. The comments consist of both suggestions and statements that are intended to illustrate the range of opinions regarding the operation of the airport.

Operations - Manager Responsibilities

- Airport needs a designated Airport Manager
- The fixed base operator needs to be certified to train individuals in fueling planes since there is great liability associated with fueling planes.
- Airport Manager needs to be directly accountable for airport operations
- Airport Manager needs to be hands-on (from fueling planes to promoting the economic development of the airport area).
- Airport Manager needs to promote the expansion of services and businesses at the airport.

- Airport Manager needs to track and provide regular airport data to assist with future management decisions.

Operations Services

- The airport is being operated up to standards, being well maintained with resources available, and is meeting grant assurances.
- The airport should explore self-serve jet fuel.
- Adequate maintenance of airport equipment has been an issue.
- The airport should fully utilize internet for pilot information.
- The hangars need to be better maintained.
- The airport should be providing mechanical and flight instruction services.
- The airport should consider seasonal staffing level changes since the work load and the number of flights is reduced in the winter months compared to the summer months.
- The airport should post hours and avoid overtime for late flights or should charge a premium for afterhours fueling.

Staffing

- Look at other airports for clues about appropriate staffing levels for the airport.
- City owned FBO is good idea since the city may be eligible for loans to replace fuel systems and has adequate control for all aspects of the airport operation utilizing an FBO with Public Works for providing maintenance activities is the best management combination.
- The airport is too small to have separate operations for FBO and airport maintenance and operations. Having the manager be the FBO makes the most sense.
- Look at turning the airport over to the Port of Newport but do this cautiously.
- Three full-time people are too much staff at the airport.
- Two full-time people at the airport should be sufficient.
- The staffing should be one FBO/Manager and two maintenance personnel.
- Two people with support from Melissa Román is probably ok.
- Staffing needs to have adequate interaction with state and federal personnel as well as other airports to keep Newport's airport current.

Regulation

- The FAA is too involved in air space issues.
- Need to treat any business equally at the airport. It is important not to go overboard on regulations since this is a small airport serving a small community.
- The airport needs to review minimum standards and business license requirements as it impacts the airport.
- The city needs to clearly provide posted rules for those with access to the airport facilities.
- The airport lacks clear policies and procedures.
- Pilots have a tendency to be adverse to control and rule, which results in frustration occurring by creating rules that may exceed rules that are actually needed.

- Resident pilots need to fit into the organization structure better rather than continuing to go up the ladder until they get the answers they want.
- Uncertainty and lack of real authority can contribute to the conflicts between staff and residential pilots.
- Aircraft owners are customers who are entitled to use the services they choose without interference from airport staff.
- Mechanical services would be more available except for the city's requirements for insurance and business licenses.
- Use of the hangars should be better regulated to assure that they are being used for aviation purposes.

Part 139 Certification

- It is critical to maintain Part 139 Certification at the airport.
- The city needs to examine the cost of maintaining the Part 139 Certification for the airport.
- The loss of the Part 139 Certification would limit future options at the airport and could be difficult to re-obtain.

Planning

- The business plan for the airport is sound and should be followed.
- The airport has limited options to expand general aviation business at the airport.
- The airport business plan should be reviewed.
- It is important for the city to consider future extension of water and sewer utilities to foster growth in and around the airport.
- The city should pursue the development of a golf course or other acceptable uses in areas where air space needs to be controlled.
- The city should pursue industrial development in the vicinity of the airport site.
- The city needs to develop a common vision for how the community would like to see the airport look at some point in the future.
- Parts of the fueling system are reaching an end of their useful service life and the city will need to focus on a plan to replace the system.
- It will be important as part of the FAA Master Plan to carefully define the airport boundaries to facilitate other complementary developments next to the airport without burdening those developments with regulatory limitations.
- Corporate and industrial development should occur in conjunction with the airport.

Finance

- The city needs to review revenues and expenditures at the airport.
- The airport costs have increased over the past five years by 52%.
- The city should use Room Tax revenues for airport projects.
- Budgeting and finance is not well understood by operators.
- The city's process for collecting lease payments has been problematic.
- Regional support should be made available for the airport.
- There is no current fee schedule for the airport that is uniformly administered
- Landing fees have been charged in the past for aircraft in excess of 12,500 pounds.

- The airport needs to be collecting landing fees and tie down fees to offset operational expenses.
- The fuel card discount is too significant.
- Hangar rent does not support maintenance of hangars.
- The city needs to make sure it is getting an acceptable return on fuel.
- The FBO building should be generating more revenue. In the past the FBO revenues were enough to pay the mortgage.

General Comments

- Community education about the importance of the airport needs to be a priority.
- Current airport staff are focused on day-to-day operations, not long term development of the airport.
- Saturday picnics at the airport are important to build the local airport community.
- Communications have been a problem at the airport, such as gate lock changes with no notice or consultation with the users.
- Airport Committee needs clarification of role.
- The relationship between staff and some resident aircraft owners is not good.
- Commercial air services was botched by interference of elected officials (State and local), in the Cape Air vs. Seaport Airline discussions. Cape Air had an operation that would have worked better at the airport.
- Local pilots use resources while corporate travelers bring dollars into the community.
- There is an airport club mentality that can place the resident pilot's interests over attracting visitor traffic to the airport.
- Some pilots have moved to Newport especially because of the airport.
- Airport Manager Gene Cossey was successful in getting Federal and State funding for the airport reconstruction.
- Relationships with FedEx, Coast Guard, and Ameriflight are great.
- Pilots are "alpha" guys and getting collective action can be like herding cats.
- Is it the airport's responsibility to care about flying safety issues of private pilots?
- Maintenance of the airport is good with a lot of maintenance issues being caught up during this past year.
- Building maintenance has not been good.
- The staff does not have the ability to enforce rules without support of management.
- The economy has impacted almost all airports negatively as far as revenues and use.
- The relationship between staff, resident pilots, and Council members has been detrimental for the smooth operation of the airport.

PRELIMINARY ISSUES IDENTIFIED FOR REVIEW

Management Issues

- During my first seven months on the job as City Manager, it is clear to me that the current management structure with the City Manager providing direct oversight for airport operations is not sustainable. With my responsibilities in providing oversight

and coordination for all operations of the city, which include public works, fire, police, parks and recreation, finance, library, community development, IT, and the airport, a sustainable management model must be put in place for the long-term operation of the Newport Municipal Airport, which will provide that the City Manager provide general oversight but not direct departmental management of this operation.

- The airport needs to review the current hours of operation to determine whether any changes can be made either on a permanent or a seasonal basis to reduce costs at the airport.
- There is a perception of a dichotomy of service for transient customers versus the resident customers of airport services that needs to be addressed.
- The airport needs to have clear and understandable rules for those that are provided access to controlled areas of the airport, and with those rules, fair and reasonable enforcement needs to be provided.
- The role of the Airport Committee needs to be examined and utilized to a fuller potential than what has been the case in recent years.
- Airport operations need to review both revenue generating opportunities and control of expenses in order to address the goal as outlined by the Budget Committee to reduce the reliance on the General Fund and Room Tax Fund over the next three to five years.

Planning

- As part of the decision making process it may be appropriate to commission a survey of similar airports to determine staffing levels, budgets, management structure, hours of operation, and other similar issues to help guide the city in these decisions.
- Complete the review and implementation of minimum standards for the airport.
- Determine a long-term vision for the airport and develop appropriate goals to move the airport in the direction to meet this vision.
- Reevaluate the role of the Airport Committee in providing advice to the City Council on airport operations.
- Participate in the task force established by the City Council to exam the regional role of the airport.
- Work with city staff and the FAA on the development of the Master Plan
- Review and update, where necessary, the business plan for the airport.

Management Options

Airports the size of the Newport Municipal Airport have a number of options as far as the management structure for operating that facility.

1. An airport manager is typically responsible for the daily operations of the airport. The airport manager directs, coordinates, and reviews all airport operations and

- maintenance of the airfield, buildings, community relations, and financial matters of the airport with the airport manager running the airport's FBO.
2. Same as #1, except a separate FBO is contracted with for running aircraft services.
 3. In a small number of airports, the FBO serves as the airport manager. In these cases, the operations of the airport would be contracted out to a private FBO that would be selected through a Request for Proposals process.
 4. Airport maintenance can be provided through the Public Works Department with a FBO in charge of aviation services at the airport. This is another model that could be considered for the operation for the airport.
 5. The airport, including FBO, could be run as part of a larger department such as the Department of Public Works.

The guide for managing small airports sponsored by the FAA outlines a number of specific functions for an airport manager including being a "jack of all trades" that would include management skills, standardization of methods of operations, communication capabilities with governing entities, customers, tenants, regulatory agents, and the general public, building public good will, strategic planning and coordination, fiscal responsibility, legal responsibility, environmental stewardship, and public safety.

NEXT STEPS FOR THE AIRPORT COMMITTEE

It is my intent to lay out a schedule for the Airport Committee's review for proceeding with the next steps of this report. This would include a calendar with tasks that would be accomplished by the various entities (the Airport Committee, airport staff, city administration and City Council) for addressing the issues that need to be dealt with regarding the airport. It is my intention to have a revised draft of this report forwarded to the Airport Committee by August 1, 2014, in preparation for incorporating input from the Airport Committee regarding the development of a management operations plan. I apologize for having this report in somewhat rough condition however it will give the Airport Committee an opportunity to provide input on what should be included in the final report that will be forwarded to the City Council.

Please note that I am asking for the Airport Committee's participation in the development of my final report to City Council. If the Airport Committee has different opinions on aspects of my final report to the City Council, the Airport Committee will be able to forward their comments directly to the City Council at the same time my report is presented to the Council. Please note that I believe the most critical issue to be addressed at this point is the management plan for the airport as well as the completion of the review of the minimum standards for the airport. Many of these other items can carry on after that point, but I believe that those are the two most critical issues to be addressed over the short term with remaining issues being address in a longer period of time.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "S. R. Nebel", is written over a large, faint, light-blue watermark that spans the width of the page. The watermark features a stylized graphic of a person or a large letter 'A'.

Spencer R. Nebel, City Manager